

Chattanooga-Hamilton County Community Services Agency

**For the Year Ended
June 30, 1997**

Arthur A. Hayes, Jr., CPA

Director

Barbara K. White, CPA

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Technical Analyst

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Editor

December 10, 1997

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Chattanooga-Hamilton County Community Services Agency
Chattanooga, Tennessee 37403

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Chattanooga-Hamilton County Community Services Agency, formerly the Chattanooga-Hamilton County Community Health Agency, for the year ended June 30, 1997. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/sdr
97/021

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Chattanooga-Hamilton County Community Services Agency
For the Year Ended June 30, 1997

AUDIT OBJECTIVES

The objectives of the audit were to consider the agency's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Chattanooga-Hamilton County Community Services Agency
For the Year Ended June 30, 1997

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Audit Report

Chattanooga-Hamilton County Community Services Agency

For the Year Ended June 30, 1997

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Chattanooga-Hamilton County Community Services Agency. The audit was conducted pursuant to Section 37-5-313, *Tennessee Code Annotated*, which authorizes the Comptroller of the Treasury to “make an annual audit of the program established by this part as part of the comptroller’s annual audit pursuant to Section 9-3-211.”

BACKGROUND

Tennessee’s 12 community health agencies were created by Chapter 567 of the Public Acts of 1989, known as the Community Health Agency Act of 1989. This legislation established a defined system of health services to make health care available to the indigent citizens of Tennessee. The community health agencies determined areas of need in their geographic areas and ensured that services were available to meet those needs.

In May 1996, legislation known as the Community Services Agency Act of 1996 replaced the community health agencies with the community services agencies. The purpose of these agencies is to coordinate funds and programs designated for care of children and other citizens in the state. The Chattanooga-Hamilton County Community Services Agency’s administrative offices are in Chattanooga, Tennessee.

The governing body of the Chattanooga-Hamilton County Community Services Agency is the board of directors. As of June 30, 1997, the board was composed of 13 members. (See Appendix.)

An executive committee, consisting of three board members, has the authority to act on behalf of the board of directors in the management of the agency’s property, affairs, and funds in extraordinary circumstances when the governing board cannot convene.

The Chattanooga-Hamilton County Community Health Agency entered into an agreement with the Health Services Division of Hamilton County government for the administrative and day-to-day management operations. All records, personnel, purchasing, accounting, and financial procedures are subject to the policies and procedures of Hamilton County government, except in the case of a conflict between state and county rules and regulations. In such a case, the policies and procedures of the state prevail. The executive director is the custodian of the funds and reports to the chairman of the board and the board of directors on the status of the programs.

AUDIT SCOPE

The audit was limited to the period July 1, 1996, through June 30, 1997, and was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the year ended June 30, 1997, and for comparative purposes, the year ended June 30, 1996. The Chattanooga-Hamilton County Community Services Agency has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the agency's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act, as amended by the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," it included tests of compliance with applicable federal laws and regulations and consideration of internal control used in administering federal financial assistance programs. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with

the Single Audit Act, as amended by the Single Audit Act Amendments of 1996, and OMB Circular A-133.

PRIOR AUDIT FINDING

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Chattanooga-Hamilton County Community Services Agency, formerly the Chattanooga-Hamilton County Community Health Agency, filed its report with the Department of Audit on September 30, 1997. A follow-up of the prior audit finding was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the agency has corrected the previous audit finding concerning compliance with Assessment and Care Coordination Team (ACCT) guidelines.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Over Financial Reporting

As part of the audit of the agency's financial statements for the year ended June 30, 1997, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Chattanooga-Hamilton County Community Services Agency.

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards***

November 6, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Chattanooga-Hamilton County Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 1997, and have issued our report thereon dated November 6, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable W. R. Snodgrass
November 6, 1997
Page Two

We did, however, note certain other less significant instances of noncompliance that we have reported to the agency's management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the agency's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sdr

Independent Auditor's Report

November 6, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying combined balance sheets of the Chattanooga-Hamilton County Community Services Agency, a component unit of the State of Tennessee, as of June 30, 1997, and June 30, 1996, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga-Hamilton County Community Services Agency as of June 30, 1997, and June 30, 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
November 6, 1997
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 1997, on our consideration of Chattanooga-Hamilton County Community Services Agency's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sdr

CHATTANOOGA-HAMILTON COUNTY COMMUNITY SERVICES AGENCY
BALANCE SHEETS
JUNE 30, 1997, AND JUNE 30, 1996

	<u>June 30, 1997</u>	<u>June 30, 1996</u>
<u>Assets</u>		
Cash (Note 2)	\$ 354,358.85	\$ 336,129.22
Prepaid item	1,000.00	-
Due from primary government (Note 3)	<u>36.00</u>	<u>5,001.75</u>
Total assets	\$ <u>355,394.85</u>	\$ <u>341,130.97</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Due to primary government (Note 3)	\$ 137,954.75	\$ 105,192.83
Due to Hamilton County government	<u>124,548.43</u>	<u>167,948.85</u>
Total liabilities	<u>262,503.18</u>	<u>273,141.68</u>
Fund balances:		
Reserved-prepaid item	1,000.00	-
Unreserved	<u>91,891.67</u>	<u>67,989.29</u>
Total fund balances	<u>92,891.67</u>	<u>67,989.29</u>
Total liabilities and fund balances	\$ <u>354,394.85</u>	\$ <u>341,130.97</u>

The Notes to the Financial Statements are an integral part of this statement.

CHATTANOOGA-HAMILTON COUNTY COMMUNITY SERVICES AGENCY
 STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED JUNE 30, 1997, AND JUNE 30, 1996

	For the Year ended <u>June 30, 1997</u>	For the Year ended <u>June 30, 1996</u>
<u>Revenues</u>		
State grants and contracts	\$ 1,454,041.26	\$ 1,467,639.12
Interest	<u>22,397.40</u>	<u>36,279.31</u>
Total revenues	<u>1,476,438.66</u>	<u>1,503,918.43</u>
<u>Expenditures</u>		
Grants and awards	<u>1,451,536.28</u>	<u>1,478,187.73</u>
Total expenditures	<u>1,451,536.28</u>	<u>1,478,187.73</u>
Excess of revenues over expenditures	24,902.38	25,730.70
Fund balances, July 1	<u>67,989.29</u>	<u>42,258.59</u>
Fund balances, June 30	\$ <u><u>92,891.67</u></u>	\$ <u><u>67,989.29</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Chattanooga-Hamilton County Community Services Agency
Notes to the Financial Statements
June 30, 1997, and June 30, 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In May 1996, the Tennessee General Assembly replaced the community health agency (CHA) with the community services agency (CSA). Although the agency's mission has changed from providing health care services to indigent citizens in the state to coordinating care for children and other citizens in the state, CHA employees, financial assets and obligations, and fund balances now belong to the CSA. The Chattanooga-Hamilton County CSA works in conjunction with the Tennessee Department of Children's Services and the Hamilton County government to coordinate "funds or programs designated for care of children and other citizens in the state."

Factors considered in determining reporting status were not affected by the above legislation. Title 37, Chapter 5, of *Tennessee Code Annotated* established the CSA as "a political subdivision and instrumentality of the state." The Chattanooga-Hamilton County Community Services Agency is a component unit of the State of Tennessee and is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. Although the CSA is a separate legal entity, the CSA is financially accountable to the state because the state approves the CSA's Plan of Operation (budget).

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

C. Measurement Focus and Basis of Accounting

The financial records of the Chattanooga-Hamilton County CSA are maintained on the modified accrual basis of accounting and the flow of current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

Chattanooga-Hamilton County Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

D. Budgetary Process

Legislation requires the CSA board to submit an annual plan of operation for review and approval to the Commissioners of the Tennessee Departments of Children's Services and Finance and Administration and to the Comptroller of the Treasury. As part of this plan, the CSA is to submit a financial plan for operating and capital expenditures. The agency's financial plan is prepared on the modified accrual basis of accounting. The Plan of Operation may be amended during the year with the written approval of the commissioners and the Comptroller.

The agency does not have an annual appropriated budget. The Plan of Operation serves as an annual financial plan for budgetary purposes.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 2. DEPOSITS

At June 30, 1997, and June 30, 1996, the agency had deposits in the Tennessee Local Government Investment Pool administered by the State Treasurer of \$354,358.85 and \$336,129.22, respectively.

NOTE 3. DUE FROM/TO PRIMARY GOVERNMENT

June 30, 1997

Due From:

Department of Health-program funds	<u>\$ 36.00</u>
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Due To:

Department of Children's Services-program funds	<u>\$137,954.75</u>
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Chattanooga-Hamilton County Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

June 30, 1996

Due From:

Department of Health-program funds	<u>\$ 5,001.75</u>
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Due To:

Department of Children's Services-program funds	<u>\$105,192.83</u>
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NOTE 4. RELATED-PARTY TRANSACTION

For the year ended June 30, 1997, a board member was the administrator of a sub-contractor of the agency.

APPENDIX

CHATTANOOGA-HAMILTON COUNTY COMMUNITY SERVICES AGENCY

William D. Ulmer, Executive Director

BOARD OF DIRECTORS

Executive Committee Members

Mr. Chris Albright, Chair
Ms. Mary Joyce Gee, Vice Chair
Ms. JoAnne Cline Yates, Treasurer

Other Members of the Board of Directors

Mr. Gary Behler
Dr. Valerie A. Boaz
Ms. Kaye Greer
Ms. Dee Anne Irwin
Dr. Brent Morris
Mr. Charles Peavyhouse
Mr. Tommy Perkins
Ms. Faye Smartt
Ms. Bernadine Turner
Ms. Jackie Jolley